

Best Practices in Retirement Benefits

These are uncertain times. Many soon-to-be retirees won't be retiring so soon. And younger employees are just trying not to look at retirement plan balances.

The employees of *The Principal 10 Best Companies—2008* are in the same boat. That's why these impressive companies have redoubled their education efforts and are doing everything they can to help employees stay the course.

Here's what you can do to implement the retirement best practices of *The Principal 10 Best Companies—2008*:

- **Discourage employees from taking out retirement plan loans.** Earlier this year, thirty-five percent of employees at The Spiratex Company had loans out on their 401(k) plan accounts. To reduce that number, the company shows employees how much it *really* costs them to take money out of the 401(k) plan—and how long it takes to catch up again.
- **Show employees what they're missing.** North Island Credit Union shows employees who don't participate—or who participate at a low level—how much higher their savings could be if they increased their contributions. "We always pick up a few more people each time when we do that," says Janet Owens, the credit union's vice president—benefits and welfare.
- **Make salary deferral increases automatic.** Even a one percent increase in salary deferrals each year can make a big difference in employees' retirement savings. That increase can also help them work toward the full employer match. 1st United Services Credit Union implemented automatic deferral increases to help get employees contributing at the full match level. "Employees can opt out, but so far no one has. Many decide to increase above our match," says Rachel Frazier, the credit union's vice president—human resources and training.
- **Bring in an outside financial professional.** "We talk about investing and benefits, but it makes a difference when an outside person comes in. Employees feel more comfortable talking about their issues and fears," says Cheryl Grissett, corporate human resource director, The Spiratex Company.
- **Make participating painless.** When employees begin contributing to NJ Sullivan's 401(k) plan, the company gives them a raise equal to the amount the employees contribute.
- **Offer lifestyle or lifecycle investment options.** These investment options can help employees avoid common investing mistakes. "Lifestyle investment options can help take the scariness out of investing. It has also taken a lot of pressure off us from a fiduciary perspective," says Bob Racey, president and general manager, The Spiratex Company.
- **Reassure employees during turbulent markets.** The Certified Financial Planner® (CFP®) that Torch Technologies uses comes in handy during a rough economy. The CFP has recently offered additional sessions for worried employees. "With the 401(k) roller coaster we're on, we tend to forget that we're saving for the long term," says Julia Michaux, human resources director, Torch Technologies.

- **Focus on small-group communication when freezing your defined benefit plan.** SAE International first told employees about the “soft freeze” to their defined benefit plan during a group meeting. “Because it was a group meeting, I couldn’t get a feel for if employees understood it,” says Carole Faust, the organization’s benefits and payroll manager. “After that meeting, I offered to go to all departments to go over exactly what the soft freeze was. A lot of departments took me up on that offer. Employees walked away completely understanding what a soft freeze meant.”
- **Remind, nag, carp.** A.Y. McDonald isn’t afraid to remind employees—a lot—about the importance of saving early. “The world is changing, and people don’t save money,” says Mike McDonald, the company’s president and CEO. “We preach and, quite frankly, carp at them to start saving now, not when they’re 60.”
- **Use automatic enrollment.** The auto enrollment feature helps employees take full advantage of the employer match—and helps streamline administration. As Owens at North Island Credit Union explains, “Before automatic enrollment, most of our people were starting around two to four percent. The biggest benefit I see now with automatic enrollment is that because we start at six percent, more employees are getting the full employer match. On the administrative side, it also runs much more smoothly.”
- **Ask your retirement plan service provider for one-on-one help.** NORCAL Mutual Insurance Company uses a no-cost service from its retirement plan service provider that brings in employee benefits specialists to meet one-on-one with employees. “It’s been very successful. The value of that is so great—it shows that the company thinks of them and their financial wellness. That gives us miles and miles of traction,” says John McClain, the company’s vice president of human resources.
- **Remind employees age 50 and older about catch-up contributions.** When employees turn 50, Jewelers Mutual reminds them that they can make catch-up contributions to the 401(k) plan. They continue to remind those employees every year at open enrollment time.
- **Show employees the big retirement picture.** A.Y. McDonald’s financial professional puts all retirement income sources together in one summary—including Social Security, pension, 401(k) plan and other employee savings. “It gives employees an idea of how they may end up when they retire. People on the floor think it’s a godsend,” says McDonald.
- **Teach employees the basics of saving and investing year-round.** The Spiratex Company uses ongoing education to help teach employees proper ways to invest, the importance of starting to participate early with the 401(k) plan and how to take full advantage of the employer match. “Because we’ve done this, I think our workforce is really empowered,” says Racey.
- **Help employees transition to retirement.** 1st United Services Credit Union created a packet for employees who are preparing to retire. “It has booklets from our service provider, and it has retirement income calculators,” explains Frazier. “We have financial advisor information in the packet. We encourage retirees to have at least one phone conference prior to retiring.”